

SECTION 2: QUESTIONS FOR RESPONSE

Please indicate your views by providing comments as appropriate. Where there is insufficient space, please use additional sheets of paper as necessary.

HKEx's Proposal 1: Revise HKEx Stress Testing Assumptions

Questions

1. Do you support the proposed revision of the Price Movement assumptions in stress testing?

Yes

No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

We are generally supportive of the proposal. The price movement assumption appears to be in line with and sufficient to cover worst case price movements.

2. Do you support the proposed revision of the Counterparty Default assumption in stress testing?

Yes

No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

We are generally supportive of the proposal. The counterparty default assumption appears to be reasonable

HKEx's Proposal 2: Introduce Margining and Dynamic Guarantee Fund in HKSCC

Questions

3. Do you agree with the proposed margining arrangements at HKSCC?

Yes

No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

We are in general supportive of the approach which is more structured than the existing one.

However, we suggest the HKEx allow flexibility in terms of the requirement that margin must be paid in the denominated currency of the CNS positions. Funding in non HKD currency would increase operational workload, although the trading volume of non HKD products is very minimal now. There should be flexibility to allow other currencies, potentially HKD at a minimum. If HKEx is adamant that the denominated currency should be adopted, we would prefer HKEx to establish some thresholds to alleviate the requirement to fund in other currencies.

In terms of the communication medium for the notification of estimated margin requirement (at 14:45, 15:45, 16:30 and day end), we would prefer to receive either email or FTP in order to automate internal processes and distribution of the information to appropriate parties internally.

We would also appreciate if the Exchange can clarify the calculation method of IDM

To help us plan and manage our resources more efficiently, we would also appreciate if the Exchange can provide updated 4-year historical analysis of change in margin requirement for MLFE on a monthly basis 1-3 months before implementation and on a daily basis 2 weeks before implementation.

4. Do you agree with the proposed Dynamic GF model at HKSCC?

Yes

No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

We are in general supportive of the approach. Similar to our comments to question 3, to ensure the company has sufficient liquidity in various currencies, we suggest the HKEx ensure sufficient time is available for participants to prepare funding and payment.

Similarly, to help us plan and manage our resources more efficiently, we would appreciate if the HKEx can provide updated 4-year historical analysis of change in Dynamic GF requirement for MLFE on a monthly basis 1-3 months before implementation and on a daily basis 2 weeks before implementation.

HKEx's Proposal 3: Revise HKCC Reserve Fund Calculation

Questions

5. Do you support the proposed revisions to the HKCC Collateral assumption?

Yes

No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

We are generally supportive of the proposal.

6. Do you support the use of HKCC Contingent Advance in relieving burden of CPs?

Yes

No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

We are favorable for the use of HKCC Contingent Advance, which will relieve 50% of the Dynamic RF obligation. It helps reduce liquidity stress and potential regulatory capital implications.

7. What is your view on allowing RF contribution to be counted as liquid capital? Will this help your company in terms of reducing liquid capital funding burden?

If RF contribution can be treated as liquid capital under FRR rules, the liquid capital of the company can be improved and it can also reduce the volatility in liquid capital projection.

HKEx's Proposal 4: Revise SEOCH Reserve Fund Calculation

Questions

8. Do you support the proposed revisions to the SEOCH Collateral assumption?

Yes

No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

[We are generally supportive of the proposal.](#)